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CIA/OER/S-06085-74

CIA No. 8075
15 April 1974

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MEMORANDUM FOR: Mr. Larry Semakis
Political/Economic
Officer, NEA/UAR
Department of State

SUBJECT : Appraisal of Egyptian Search for
US Exports

In response to your telephone request I am sending
herewith our analysis of the degree of need of economic
goods that Egypt has requested from the US, thus far.

If you desire any further assistance on this subject,

please call

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Attachment:
As stated above

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Appraisal of Egyptian Search for US Exports
to Replace Soviet Goods

The list of Egyptian needs presented thus far by Cairo to the US is an inaccurate representation of shortages anticipated during 1974. A few items, fertilizer, edible oil, and newsprint may be in short supply at present, and extremely difficult for Egypt to obtain at any price as a result of shrinking trade with the USSR, shortages in the free market, and the late Egyptian entry into the free market. On the other hand, the large quantities requested of most items, except fertilizer, appear to represent an attempt to stockpile for possible contingencies, including a rupture in Egyptian/Soviet trade and a renewal of hostilities with Israel. At least one item wheat, while not actually short at present, has enormous symbolic appeal because of its importance in Egyptian consumption and its unreliable availability during the past, more penurious years. In view of Egypt's ready access to Arab cash and a greatly improved credit rating, Cairo's request for "gifts" warrants careful scrutiny. The following is an appraisal of the items on the Egyptian "shopping list":

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Probably Critical

Fertilizer - Egypt's request for fertilizer that pre-dated submission of the March 27 shopping list almost certainly reflects a genuinely acute need. Domestic production of fertilizer met all essential agricultural requirements until 1968-70 when nitrogenous fertilizer plants in Suez were destroyed by Israeli shelling. Since then the initial deficit has not been fully replaced. Demand for fertilizers, particularly nitrogenous, has increased since Upper Egypt was converted from basin (simple flooding) irrigation to perennial (year-round) irrigation, depriving the soil of river silt. The current world shortage of nitrogenous fertilizer could spell disaster for the intensively cropped Egyptian agricultural area on which two-thirds of the population depends for a livelihood.

Possibly Critical

Cotton Seed Oil - If the Soviet Union has refused to supply edible oils in the future, Egypt may have difficulty finding a new source of supply. However, they have ordinarily received only about 20-30,000 tons from the USSR and 70,000 tons from the US for the entire year compared to the 75,000 tons requested from

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the US during the next six months. Unless some other source of supply has failed, this request appears to represent, in part, a stockpiling effort.

Newsprint and Printing and Writing Paper - Egypt
has previously acquired from the USSR some 9,000 tons annually of newsprint and a negligible quantity of other printing and writing papers. Their request for 50,000 tons of such paper probably also represents, in part, a stockpiling attempt.

Of Doubtful Criticality

Wheat - At the end of 1973 Egypt had on order for 1974 delivery at least 3 million tons of wheat, enough to easily meet normal import requirements for the year. In addition they increased the area devoted to wheat and yields, presaging a record harvest in 1974. These agricultural plans, additional wheat tenders let during 1974, and the request to the US for 1 million tons strongly suggests an attempt to stockpile wheat. Any contribution to this stockpile, however, would receive a glowing press in Cairo. More than a decade ago Egypt began to reduce the area devoted to land-intensive wheat cultivation in favor of more valuable export crops. This decision greatly improved the agricultural balance

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[Redacted]

of trade, although not enough to offset a steadily worsening industrial balance of trade. The result has been a chronic foreign exchange shortage, a perpetual scramble in the international market for basic foodstuffs, and a history of periodic food shortages in Egypt's urban centers. Because of an ingrained fear of a bread crisis, any purveyor of wheat, however redundant, becomes a political asset to the regime and a hero to the people.

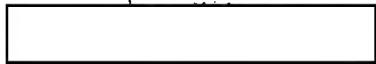
Corn - Unless a 1974 crop failure is foreseen, Egypt would not need to import corn from the US, except, possibly, for stockpiling. Egypt has never imported recordable amounts from the USSR and they have been bragging for some years about their self-sufficiency.

Tallow - Egypt has imported some 4-5,000 tons annually of inedible tallow from the USSR, which hardly justifies the request for 60,000 tons of edible and inedible tallow from the US. Moreover, the importance of tallow to the Egyptian economy is extremely difficult to demonstrate.

Tobacco - Egypt has imported no tobacco from the USSR since 1970, and quantities before then never constituted more than 15% of total supply. In view of current sluggish demand for tobacco, likely traditional non-US, non-Soviet sources of tobacco probably could continue

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to fulfill the requirements of Egypt's small but famous cigarette and cigar industry.

Unknown Criticality

With respect to the remaining items on the list (artificial leather, sundry woods, and grain evacuators and parts) insufficient data exists to determine either the extent of previous dependence on Soviet supplies or the importance of such imports to the Egyptian economy. With the possible exception of certain woods, however, we doubt that failure to receive Soviet exports or the amounts requested from the US would seriously hamper output in any important sector during the periods specified. Certain types of construction activity may have depended in part on Soviet plywoods and veneers and might feel a pinch if supplies were cut off. Egypt possibly would have difficulty handling grain imports and its expanded grain harvest this summer without additional grain evacuators.

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